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AZ CORP COMMISSION  
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Attorneys for Western Resource Advocates

**BEFORE THE ARIZONA CORPORATION COMMISSION**

MARC SPITZER  
CHAIRMAN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

Arizona Corporation Commission

**DOCKETED**

NOV - 5 2004

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*CR*

In the matter of the Application of )  
ARIZONA PUBLIC SERVICE COMPANY )  
for a Hearing to Determine the Fair Value of the )  
Utility Property of the Company for Ratemaking )  
Purposes, to Fix Just and Reasonable Rate of )  
Return Thereon, to Approve Rate Schedules )  
Designed to Develop Such Return, and for )  
Approval of Purchased Power Contract. )

Docket No. E-01345A-03-0437

**NOTICE OF FILING THE  
SUMMARY OF THE TESTIMONY  
OF DAVID BERRY**

Western Resource Advocates hereby provides notice of filing the attached summary of  
the testimony of its witness, David Berry, in the above-captioned docket in connect with the  
Settlement Agreement.

1 DATED this 5<sup>th</sup> day of November, 2004.

2 ARIZONA CENTER FOR LAW IN  
3 THE PUBLIC INTEREST

4  
5 By 

6 Timothy M. Hogan  
7 202 E. McDowell Rd., Suite 153  
Phoenix, Arizona 85004  
Attorneys for Western Resource Advocates

8 ORIGINAL and 13 COPIES of  
9 the foregoing filed this 5<sup>th</sup> day  
of November, 2004, with:

10 Docketing Supervisor  
11 Docket Control  
12 Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

13 COPIES of the foregoing  
14 transmitted electronically  
15 this 5<sup>th</sup> day of November,  
2004, to:

16 All Parties of Record  
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**Summary of Testimony**  
**Arizona Public Service Company Rate Case Settlement**  
**Docket No. E-01345A-03-0437**

**David Berry**  
**Western Resource Advocates**

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Western Resource Advocates supports the Arizona Public Service Company (APS) rate case settlement agreement and recommends that the Commission adopt the settlement.

High natural gas prices have occurred in recent years and the settlement agreement includes a process for APS to hedge against continued high natural gas prices using low cost renewable energy resources with fixed or stable prices. In particular, the settlement agreement requires APS to obtain at least 100 MW of renewable resources with delivery of energy starting in 2006 and to obtain at least 10 percent of its growth in capacity needs from renewable resources. The agreement caps the cost of these renewable resources at 125 percent of APS' estimate of the market cost of similar conventional resources. The 25 percent premium incorporates environmental benefits of renewable resources and allows for errors in forecasting the benchmark price of conventional resources. Wind, biomass, and geothermal resources may beat the price cap. APS is encouraged to acquire Arizona renewable resources but may obtain resources from other states as well. If APS is unsuccessful in meeting the 100 MW goal, the Commission will have an opportunity to review the circumstances and decide what to do.

Acquisition of renewable energy resources is in the public interest. APS has a large exposure to high natural gas prices and the renewable resources will serve as a hedge against such prices, thereby lowering rates in years when gas prices are moderate or high.

**Comparison with Original Position**

In my direct testimony filed on February 3, 2004, I recommended that the Commission order APS to immediately acquire energy to meet at least 2 percent of its retail sales from low cost renewable energy resources and that the Commission undertake a process to establish a renewable portfolio standard well in excess of the current Environmental Portfolio Standard. I believe this settlement agreement captures the essence of that recommendation, but it couches the renewable resource goal in terms of MW and MWH and breaks the initial renewable energy goal into a 100 MW segment and subsequent segments. The settlement agreement also provides for Commission consideration of increasing APS' reliance on renewable energy beyond the amounts stated in the agreement by requiring that Staff initiate a rulemaking proceeding to modify the existing Environmental Portfolio Standard. The settlement agreement is also consistent with my direct testimony regarding recovery of renewable energy costs through the purchased power adjustor and regarding Commission review of circumstances if APS does not meet the renewable energy goals.

The settlement agreement does not incorporate specific recommendations I made in my direct testimony regarding funding of the Environmental Portfolio Standard or net metering options in APS' tariffs applicable to customers who generate electricity with photovoltaics. These issues primarily affect the deployment of solar energy and, after the Arizona Solar Energy Industries Association intervened during the settlement process, I deferred these issues to the judgment of the solar energy industry representatives.

Finally, I recommended that demand side management funding that was redirected to the Environmental Portfolio Standard be restored to demand side management programs. The settlement agreement greatly increases the level of demand side management.